

# Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name	Pentwater Township	County	OCEANA	Type	TOWNSHIP	MuniCode	641140
Opinion Date-Use Calendar	7/3/08	Audit Submitted-Use Calendar	7/8/08	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

**Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".**

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="360,001"/>
General Fund Expenditure:	<input type="text" value="371,845"/>
Major Fund Deficit Amount:	<input type="text"/>

General Fund Balance:	<input type="text" value="398,119"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text" value="7,865"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Merrick A	Last Name	Richardson	Ten Digit License Number				<input type="text" value="1101005710"/>		
CPA Street Address	1000 Coolidge Road		City	East Lansing	State	MI	Zip Code	48823	Telephone	5173321900
CPA Firm Name	Layton & Richardson, P.C.		Unit's Street Address	327 Hancock Street		City	Pentwater		LU Zip	49449

TOWNSHIP OF PENTWATER, MICHIGAN  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2008  
AND  
INDEPENDENT AUDITORS' REPORT

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# Layton & Richardson, P.C.

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## INDEPENDENT AUDITORS' REPORT

Pentwater Township Board  
Township of Pentwater  
Pentwater, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pentwater, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Township of Pentwater, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pentwater, Michigan as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2008, on our consideration of the Township of Pentwater, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 5 through 7 and 31 through 36 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Layton & Richardson P.C.

*Certified Public Accountants*

East Lansing, Michigan  
July 3, 2008

**TOWNSHIP OF PENTWATER**  
**TOWNSHIP BOARD**  
**LIST OF PRINCIPAL INDIVIDUALS**

ELECTED OFFICIAL	POSITION
Charles Smith	Supervisor
Barbara Burke	Clerk
Janice Siska	Treasurer
Terry Cluchey	Trustee
Mike Flynn	Trustee

# Township of Pentwater

## Management's Discussion and Analysis

This discussion and analysis of the Township of Pentwater, Michigan's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008. It should be read in conjunction with the Township's financial statements.

### Financial Highlights

The Township remains in a strong financial position. Net Assets at March 31, 2008 are \$1,625,995, an increase of \$171,421 over the prior year.

### Overview of Financial Statements

This annual report consists of three parts: management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant fund, the General Fund. The fiduciary fund statement provides financial information about activity for which the Township acts solely as an agent for the benefit of those outside of government.

### Township of Pentwater as a Whole

The following table shows, in a condensed format, the net assets of the governmental activities as of March 31, 2008 and 2007.

	Governmental Activities MARCH 31,	
	2008	2007
Assets		
Current assets	\$ 985,643	\$ 897,274
Noncurrent assets	<u>660,969</u>	<u>615,314</u>
Total assets	1,646,612	1,512,588
Liabilities		
Current liabilities	12,752	51,010
Long-term liabilities	<u>7,865</u>	<u>7,004</u>
Total liabilities	20,617	58,014
Net Assets		
Invested in capital assets, net of related debt	660,969	615,314
Restricted	1,739	299
Unrestricted	<u>963,287</u>	<u>838,961</u>
Total net assets	<u>\$1,625,995</u>	<u>\$1,454,574</u>

# Township of Pentwater

## Management's Discussion and Analysis

The Township's combined net assets increased 11.8% from a year ago, increasing \$171,421, from \$1,454,574. Unrestricted net assets are the portion of net assets that can be used to finance day-to-day operations. At March 31, 2008, \$963,287 of the Township's net assets are unrestricted.

The following table shows the changes of the net assets of the governmental activities during the years ended March 31, 2008 and 2007.

	FOR THE YEARS ENDED MARCH 31,	
	2008	2007
Revenue		
Program revenue		
Operating grants	\$ 42,828	\$ 44,298
Private contributions	9,736	10,064
Charges for services	95,320	56,828
Sales	6,938	11,312
Fees and fines	25,503	31,259
General revenue		
Property taxes	442,421	405,835
Interest	28,289	21,783
Other	364	1,624
Total revenue	<u>651,399</u>	<u>583,003</u>
Program Expenses		
Legislative	2,973	3,692
General government	199,797	305,172
Public safety	13,371	10,747
Public works	117,425	17,492
Health and welfare	5,100	4,850
Recreation and culture	141,312	140,074
Total program expenses	<u>479,978</u>	<u>482,027</u>
Change in Net Assets	<u>\$ 171,421</u>	<u>\$ 100,976</u>

### Governmental Activities

The Township's total governmental revenues were \$651,399. The largest revenue item is property taxes, representing 67.9% of the revenue. Charges for services represent 14.6%, operating grants comprise 6.6%, fees and fines are 3.9%, with all other revenues making up the remaining 7.0%. Total revenues increased approximately \$68,400 from the prior year. General government expenses account for 41.6% of total program expenses. Recreation and culture and public works comprise 29.4% and 24.5%, respectively, with all other programs making up the remaining 4.5% of total expenses.

### The General Fund

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual, beginning on page 31 provides detailed information about the most significant fund, not the Township as a whole. The General Fund pays for the Township's general governmental services. The most significant costs relate to general government services, accounting for 62.7% of the total expenditures of the General Fund.



# Township of Pentwater

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## Management's Discussion and Analysis

### General Fund Budgetary Highlights

Only minor amendments were made to the budget over the course of the year.

### Capital Assets

As of March 31, 2008, the Township had \$1,065,712 invested in capital assets. Capital assets of the Township include the Township Hall, the Library Building and the improvements completed in prior fiscal years, paved roads, office, computer and cemetery maintenance equipment, and the Township Library collections available to the public.

### Joint Venture

The Township entered into an agreement with the Village of Pentwater effective June 1, 2008, under which the Township will assume responsibility for the accounting of the Pentwater Fire Department. The Fire Department is owned and run jointly by the Township and the Village of Pentwater.

### Economic Factors and Next Year's Budgets and Rates

It is expected that the Township's property tax millages for next year will be comparable to this year.

### Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers and customers with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office.

**TOWNSHIP OF PENTWATER**  
**STATEMENT OF NET ASSETS AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**MARCH 31, 2008**

	ASSETS		
	GOVERNMENTAL FUNDS	ADJUSTMENTS	STATEMENT OF NET ASSETS
<b>ASSETS</b>			
Cash and cash equivalents	\$ 313,164	\$	\$ 313,164
Investments	341,543		341,543
Due from county and city	28,886		28,886
Due from other funds	302,050		302,050
Capital assets		660,969	660,969
<b>TOTAL ASSETS</b>	<b>\$ 985,643</b>	<b>\$ 660,969</b>	<b>\$ 1,646,612</b>
<b>LIABILITIES AND FUND BALANCE/NET ASSETS</b>			
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 8,298	\$	\$ 8,298
Accrued payroll taxes	4,454		4,454
Noncurrent liabilities			
Accrued sick pay		7,865	7,865
<b>TOTAL LIABILITIES</b>	<b>12,752</b>	<b>7,865</b>	<b>20,617</b>
<b>FUND BALANCE/NET ASSETS</b>			
Invested in capital assets, net of related debt		660,969	660,969
Restricted for library books	1,739		1,739
Unrestricted	971,152	(7,865)	963,287
<b>TOTAL FUND BALANCE/NET ASSETS</b>	<b>972,891</b>	<b>653,104</b>	<b>1,625,995</b>
<b>TOTAL LIABILITIES AND FUND BALANCE/NET ASSETS</b>	<b>\$ 985,643</b>	<b>\$ 660,969</b>	<b>\$ 1,646,612</b>

See accompanying notes to financial statements.

**TOWNSHIP OF PENTWATER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE/NET ASSETS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	GOVERNMENTAL FUNDS	ADJUSTMENTS	STATEMENT OF ACTIVITIES
<b>EXPENDITURES/EXPENSES</b>			
Legislative	\$ 2,973	\$	\$ 2,973
General government	257,432	(57,635)	199,797
Public safety	13,371		13,371
Public works	117,425		117,425
Health and welfare	5,100		5,100
Recreation and culture	128,471	12,841	141,312
	<u>524,772</u>	<u>(44,794)</u>	<u>479,978</u>
<b>PROGRAM REVENUES</b>			
Operating grants	42,828		42,828
Private contributions	9,736		9,736
Charges for services	66,070	29,250	95,320
Sales	6,938		6,938
Fees and fines	25,503		25,503
	<u>151,075</u>	<u>29,250</u>	<u>180,325</u>
Net program expense	<u>373,697</u>	<u>74,044</u>	<u>299,653</u>
<b>GENERAL REVENUES</b>			
Property taxes	442,421		442,421
Interest	28,289		28,289
Other	364		364
	<u>471,074</u>	<u></u>	<u>471,074</u>
<b>CHANGE IN FUND BALANCE/NET ASSETS</b>	97,377	74,044	171,421
<b>FUND BALANCE/NET ASSETS, APRIL 1</b>	<u>875,514</u>	<u>579,060</u>	<u>1,454,574</u>
<b>FUND BALANCE/NET ASSETS, MARCH 31</b>	<u><u>\$ 972,891</u></u>	<u><u>\$ 653,104</u></u>	<u><u>\$ 1,625,995</u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF PENTWATER**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**MARCH 31, 2008**

	GENERAL	CEMETERY
ASSETS		
Cash and cash equivalents	\$ 59,733	\$ 343
Investments	82,139	98,538
Due from county and city	16,490	3,434
Due from other funds	249,016	53,034
TOTAL ASSETS	<u>\$ 407,378</u>	<u>\$ 155,349</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 6,603	\$ 36
Accrued payroll taxes	2,656	196
TOTAL LIABILITIES	<u>9,259</u>	<u>232</u>
FUND BALANCE		
Restricted for library books		
Unrestricted, reserved for library expansion		
Unrestricted, unreserved	398,119	155,117
TOTAL FUND BALANCE	<u>398,119</u>	<u>155,117</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 407,378</u>	<u>\$ 155,349</u>

See accompanying notes to financial statements.

LIBRARY	CAPITAL	TOTAL GOVERNMENTAL FUNDS
\$ 172,989	\$ 80,099	\$ 313,164
8,962	160,866	341,543
<u>181,951</u>	<u>240,965</u>	<u>302,050</u>
\$ 181,951	\$ 240,965	\$ 985,643
\$ 1,659	\$	\$ 8,298
<u>1,602</u>	<u></u>	<u>4,454</u>
3,261		12,752
<u>1,739</u>		<u>1,739</u>
176,951	240,965	240,965
<u>178,690</u>	<u>240,965</u>	<u>730,187</u>
\$ 181,951	\$ 240,965	\$ 972,891
<u>181,951</u>	<u>240,965</u>	<u>985,643</u>

**TOWNSHIP OF PENTWATER**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**MARCH 31, 2008**

Total fund balances - governmental funds	\$	972,891
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

Land improvements	\$	145,166	
Building and improvements		375,662	
Roads		93,829	
Office equipment		130,219	
Software and computers		74,532	
Furniture and fixtures		73,731	
Maintenance equipment		35,344	
Library collections		126,555	
Land		1,190	
Construction in progress		9,484	
Accumulated depreciation		<u>(404,743)</u>	660,969

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Compensated absences		<u>(7,865)</u>
Total net assets - governmental activities	\$	<u><u>1,625,995</u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF PENTWATER**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	GENERAL	CEMETERY
REVENUES		
Taxes	\$ 239,020	\$ 56,497
State grants	40,583	
Private contributions		
Charges for services	64,155	1,915
Sales		6,938
Fees and fines	4,485	
Interest	11,394	4,076
Other	364	
TOTAL REVENUES	<u>360,001</u>	<u>69,426</u>
EXPENDITURES		
Legislative	2,973	
General government	232,976	24,456
Public safety	13,371	
Public works	117,425	
Health and welfare	5,100	
Recreation and culture		
TOTAL EXPENDITURES	<u>371,845</u>	<u>24,456</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(11,844)</u>	<u>44,970</u>
OTHER FINANCING SOURCES (USES)		
Transfers in		
Transfers out		
TOTAL OTHER FINANCING SOURCES (USES)	<u>          </u>	<u>          </u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(11,844)	44,970
FUND BALANCE, APRIL 1	<u>409,963</u>	<u>110,147</u>
FUND BALANCE, MARCH 31	<u>\$ 398,119</u>	<u>\$ 155,117</u>

See accompanying notes to financial statements.

LIBRARY	CAPITAL	TOTAL GOVERNMENTAL FUNDS
\$ 146,904	\$	\$ 442,421
2,245		42,828
5,075	4,661	9,736
		66,070
		6,938
21,018		25,503
3,365	9,454	28,289
<u>178,607</u>	<u>14,115</u>	<u>364</u>
		622,149
		2,973
		257,432
		13,371
		117,425
		5,100
128,452	19	128,471
<u>128,452</u>	<u>19</u>	<u>524,772</u>
50,155	14,096	97,377
(20,000)	20,000	20,000
<u>(20,000)</u>	<u>20,000</u>	<u>(20,000)</u>
30,155	34,096	97,377
148,535	206,869	875,514
<u>\$ 178,690</u>	<u>\$ 240,965</u>	<u>\$ 972,891</u>



**TOWNSHIP OF PENTWATER**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

Net change in fund balances - total governmental funds	\$ 97,377
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures however, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Expenditures for capital assets	116,800
Less: current year depreciation	(70,561)
Loss on current year capital asset disposals	(584)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in long-term compensated absences	(861)
Governmental funds report certain revenues as payments are received however in the statement of activities, the revenue is recognized as it is earned	
Contractor deposit - Planned Unit Development	29,250
Change in net assets of governmental activities	\$ <u><u>171,421</u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF PENTWATER**  
**BALANCE SHEET**  
**FIDUCIARY FUNDS**  
**MARCH 31, 2008**

	TAX ACCOUNT
<b>ASSETS</b>	
Cash	\$ <u>303,516</u>
<b>LIABILITIES</b>	
Due to other funds	\$ 302,050
Due to other governmental units	<u>1,466</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>303,516</u></b>

See accompanying notes to financial statements.

**TOWNSHIP OF PENTWATER**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township operates under an elected Township Board and provides services to its more than 1,500 residents in many areas including community enrichment and development.

The accounting policies of Pentwater Township conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

**A. Reporting Entity**

All funds and account groups under direct control of the Township are included in this report. These funds and account groups are those which meet the criteria established by Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, and Statement on Michigan Governmental Accounting and Auditing No. 5.

The criteria established by GASB for determining which of the Township's various organizations and activities are to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

**Joint Venture**

The Township entered into a formal agreement with the Village of Pentwater regarding the Pentwater Fire Department. Effective June 1, 2008, the Township will assume responsibility of the accounting for the Fire Department previously maintained by the Village. Under the terms of the agreement, the Fire Department is jointly operated and owned by the Township and the Village of Pentwater. Accordingly, the portion of assets, liabilities and activities of the Fire Department attributable to the Township will appear in the financial statements of the Township as of the effective date of the agreement.

**Blended Component Units**

The Library Fund accounts for the financing and operating of the Pentwater Township Library. The Library Fund is reported as a Special Revenue Fund.

The Cemetery Fund accounts for the financing and operating of the Pentwater Township Cemetery. All financial decisions concerning the Cemetery Fund are approved by the Township. The Cemetery Fund is reported as a Special Revenue Fund.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government of the Township of Pentwater and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township of Pentwater.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

The Township of Pentwater reports the following major governmental funds:

The General Fund is used to account for all financial transactions, except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township of Pentwater. Revenues are derived primarily from property taxes, state distributions and interest on investments.

The Library Fund accounts for the financing and operating of the Pentwater Township Library.

The Cemetery Fund accounts for the financing and operating of the Pentwater Township Cemetery. All financial decisions concerning the Cemetery Fund are approved by the Township.

The Capital Fund is used to account for the financial resources to be provided for the possible future expansion of the library facilities.

In addition to the General Fund, the Township of Pentwater reports the following fund types:

Fiduciary Funds are used to account for assets held by a governmental unit as the trustee or agent for others. The Tax Account is the only fiduciary fund of the Township.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township of Pentwater has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the tax fund.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services and privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. All taxes are reported as general revenue.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Township has no proprietary funds.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Concluded

When both restricted and unrestricted resources are available for use, it is the Township of Pentwater's policy to use restricted resources first. Unrestricted resources are used as they are needed.

D. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township of Pentwater as assets with an initial, individual cost of \$2,500 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against operations in the government-wide statements. Accumulated depreciation is reported in the government-wide statement of net assets.

The straight-line depreciation method is applied over the estimated useful life of all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE
Land	n/a
Land improvements	20 years
Buildings and improvements	20 years
Roads	40 years
Office equipment	8 years
Software and computers	5 years
Furniture and fixtures	15 years
Maintenance equipment	8 years
Library collections	10 years

E. Cash and Investments

The Township's cash is considered to be cash on hand, demand deposits, and non-negotiable certificates of deposit with an original maturity of 3 months or less.

All investments are stated at fair value.

F. Inventory of Supplies

Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. As of March 31, 2008, the Township had no significant inventories on hand.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Concluded**

G. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Township board reviews a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1 the budget is legally adopted.
4. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with U.S. generally accepted accounting principles.
5. Any revision to the budget must be approved by the Township Board.
6. Budgeted amounts are as originally adopted or amended by the Township Board during the year. Individual amendments were not material in relation to the original appropriations which were amended.
7. All annual appropriations lapse at year end.

H. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: **PROPERTY TAXES**

Pertinent tax dates are as follows:

Lien date	12/01/07
Levy date	12/01/07
Due date without penalty	02/14/08
Collection date	07/01/07 – 02/28/08

NOTE 3: **CUSTODIAL CREDIT RISK - DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned.

The Township's deposits are owned by several of the Township's funds. At year end, the carrying amount of the primary government's deposits and cash on hand was \$958,223 and the bank balance was \$968,938. Of the bank balance, \$300,000 was covered by federal depository insurance, and \$668,938 was uninsured and uncollateralized.

NOTE 3: **CUSTODIAL CREDIT RISK – DEPOSITS** - Continued

A reconciliation of cash, cash equivalents and investments follows:

Deposits	
Cash in demand accounts	\$ 358,039
Cash in savings accounts/ money market	335,476
Petty cash	355
Investments	
Certificates of deposit	<u>264,353</u>
	<u>\$ 958,223</u>
Government-Wide	
Statement of Net Assets	
Cash and cash equivalents	\$ 313,164
Investments	341,543
Statement of Fiduciary Net Assets	
Cash	<u>303,516</u>
TOTAL	<u>\$ 958,223</u>

Investments

Act 196, P. A. 1997, authorizes the Township to deposit and invest in the following:

- (a) Bonds, securities and other direct obligations of the United States or its agencies.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, P.A. 1855, as amended (MCL 21.145 and 21.146).
- (c) Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptance of United States banks.
- (f) Obligation of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (g) Certain mutual funds as defined in the Act.

Investments of the Township are in accordance with statutory authority.



**NOTE 3: CUSTODIAL CREDIT RISK – DEPOSITS - Concluded**

There are three levels of risk by which investments are classified. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Township's name. At March 31, 2008, the Township's investments of \$264,353 were all classified in category 1.

The Township has adopted a formal investment policy, as required by Act 20, P.A. 1943 as amended, that complies with State law.

**NOTE 4: CAPITAL ASSETS**

A summary of changes in governmental capital assets including internal service fund assets is as follows:

	APRIL 1, 2007	ADDITIONS	DELETIONS	MARCH 31, 2008
Capital Assets Being Depreciated				
Land improvements	\$ 145,561	\$	\$ 395	\$ 145,166
Building and improvements	375,662			375,662
Roads		93,829		93,829
Office equipment	125,430	4,789		130,219
Software and computers	73,270	1,461	199	74,532
Furniture and fixtures	74,443	287	999	73,731
Maintenance equipment	35,344			35,344
Library collections	<u>122,683</u>	<u>15,244</u>	<u>11,372</u>	<u>126,555</u>
Total Capital Assets Being Depreciated	<u>952,393</u>	<u>115,610</u>	<u>12,965</u>	<u>1,055,038</u>
Less: Accumulated Depreciation				
Land improvements	21,714	5,358		27,072
Building and improvements	88,659	10,385		99,044
Roads		1,173		1,173
Office equipment	66,115	16,319		82,434
Software and computers	42,917	15,915	80	58,752
Furniture and fixtures	48,815	4,531	929	52,417
Maintenance equipment	20,078	4,418		24,496
Library collections	<u>58,265</u>	<u>12,462</u>	<u>11,372</u>	<u>59,355</u>
Total Accumulated Depreciation	<u>346,563</u>	<u>70,561</u>	<u>12,381</u>	<u>404,743</u>

NOTE 4: **CAPITAL ASSETS** - Concluded

	APRIL 1, 2007	ADDITIONS	DELETIONS	MARCH 31, 2008
Net Capital Assets				
Being Depreciated	\$ <u>605,830</u>	\$ <u>45,049</u>	\$ <u>584</u>	\$ <u>650,295</u>
Capital Assets Not Being Depreciated				
Land		1,190		1,190
Construction in progress	<u>9,484</u>	<u>          </u>	<u>          </u>	<u>9,484</u>
Total Capital Assets				
Not Being Depreciated	<u>9,484</u>	<u>1,190</u>	<u>          </u>	<u>10,674</u>
NET CAPITAL ASSETS	\$ <u>615,314</u>	\$ <u>46,239</u>	\$ <u>584</u>	\$ <u>660,969</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
General government	\$ 41,778
Recreation and culture	<u>28,783</u>
	\$ <u>70,561</u>

NOTE 5: **EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS**

P.A. 621 of 1978 provides that local units of government shall not incur expenditures in excess of the amounts appropriated in the formal budget document adopted by the Township Board. P.A. 493 of 2003 removed debt service funds as funds requiring a budget. During the year ended March 31, 2008, Pentwater Township incurred expenditures in excess of appropriations as follows:

	BUDGET	ACTUAL	UNFAVORABLE VARIANCE
GENERAL FUND			
Public Safety			
Z BA Planning Commission	\$ 3,984	\$ 4,222	\$ ( 238 )
Public Works			
Highways, streets and bridges	11,896	98,772	( 86,876 )

NOTE 6: **RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Township to purchase commercial insurance for most risks of loss to which it is exposed.

**NOTE 7: INTERFUND RECEIVABLES AND PAYABLES**

The amounts of interfund receivables and payables are as follows:

FUND	INTERFUND RECEIVABLES	FUND	INTERFUND PAYABLES
General	\$ 249,016	Tax Account	\$ 302,050
Cemetery	<u>53,034</u>		<u>                    </u>
	<u>\$ 302,050</u>		<u>\$ 302,050</u>

**NOTE 8: FUND BALANCE DESIGNATIONS**

Designations of unrestricted fund balances in governmental funds indicate the Township's tentative plans for use of financial resources in a future period.

**NOTE 9: ENDOWMENT FUND**

Under a Designated Fund Agreement between the George W. Hansen and Edna Mae Hansen Living Trust (donors) and the Community Foundation for Oceana County (Foundation), dated February 2, 2005, the George Wilbur and Edna Hansen Endowment Fund (Endowment Fund) was created. The Donors contributed \$100,000 to the Endowment Fund. The Designated Fund Agreement states that the Endowment Fund is to be held by the Foundation as its property and not as a trustee. The Designated Fund Agreement also stipulates that each year the income from the Endowment Fund, as determined in accordance with the Foundation's policies, shall be distributed 50% to the Pentwater Township Library and 50% to another charitable organization. The Designated Fund Agreement also stipulates that the Pentwater Township Library is to use any future income of the Endowment Fund and distributed by the Foundation, 50% for the purchase of books and 50% to purchase other educational materials in memory of George Wilbur and Edna Hansen. As the Endowment Fund is held by the Foundation as its property, no amount is included in the financial statements of the Township of Pentwater. The Library Fund received \$2,690 from the Foundation's Endowment Fund during the year ended March 31, 2008.

**TOWNSHIP OF PENTWATER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<b>REVENUES</b>				
Taxes				
Taxes - 2007 levy	\$ 184,127	\$ 184,127	\$ 229,080	\$ 44,953
Trailer taxes	1,116	1,116	192	(924)
Payment in lieu of taxes	1,500	1,500	1,919	419
Penalties and interest	6,000	6,000	7,829	1,829
Total Taxes	<u>192,743</u>	<u>192,743</u>	<u>239,020</u>	<u>46,277</u>
State Grants				
Shared revenues	37,800	37,800	39,983	2,183
Liquor control	600	600	600	
Total State Grants	<u>38,400</u>	<u>38,400</u>	<u>40,583</u>	<u>2,183</u>
Charges for Services				
PTAF and collection fees	57,512	57,512	58,325	813
Licenses and permits	1,750	1,750	1,615	(135)
Transfer station	6,000	6,000	4,215	(1,785)
Total Charges for Services	<u>65,262</u>	<u>65,262</u>	<u>64,155</u>	<u>(1,107)</u>
Other Revenue				
Interest	4,000	4,000	11,394	7,394
Franchise fees	7,800	7,800	4,485	(3,315)
Miscellaneous	2,150	2,150	364	(1,786)
Total Other Revenue	<u>13,950</u>	<u>13,950</u>	<u>16,243</u>	<u>2,293</u>
TOTAL REVENUES	<u>310,355</u>	<u>310,355</u>	<u>360,001</u>	<u>49,646</u>
<b>EXPENDITURES</b>				
<b>LEGISLATIVE</b>				
Township Board				
Township Board trustee wages	3,318	3,318	2,858	460
Township Board trustee fringes	254	254	115	139
TOTAL LEGISLATIVE	<u>3,572</u>	<u>3,572</u>	<u>2,973</u>	<u>599</u>
<b>GENERAL GOVERNMENT</b>				
Supervisor				
Salaries and wages	11,946	11,946	11,946	
Fringe benefits	914	914	914	
Total Supervisor	<u>12,860</u>	<u>12,860</u>	<u>12,860</u>	

**TOWNSHIP OF PENTWATER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - Continued**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
EXPENDITURES - Continued				
GENERAL GOVERNMENT - Concluded				
Election				
Election wages	\$ 3,000	\$ 3,000	\$ 51	\$ 2,949
Election travel	75	75	64	11
Election education	200	200	33	167
Miscellaneous	200	200	187	13
Total Election	<u>3,475</u>	<u>3,475</u>	<u>335</u>	<u>3,140</u>
Assessor				
Salaries and wages	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	
Clerk				
Salaries and wages	39,993	39,993	39,702	291
Fringe benefits	3,059	3,059	3,012	47
Total Clerk	<u>43,052</u>	<u>43,052</u>	<u>42,714</u>	<u>338</u>
Board of Review				
Salaries and wages	1,470	1,647	1,647	
Fringe benefits	112	115	115	
Total Board of Review	<u>1,582</u>	<u>1,762</u>	<u>1,762</u>	
Treasurer				
Salaries and wages	26,685	27,063	27,063	
Fringe benefits	2,041	2,070	2,070	
Total Treasurer	<u>28,726</u>	<u>29,133</u>	<u>29,133</u>	
Township Hall				
Supplies	5,500	5,500	5,336	164
Professional services	25,000	56,957	51,407	5,550
Drain assessments	3,943	3,943	3,694	249
Dues and subscriptions	2,500	2,742	2,742	
Insurance and bonds	8,000	8,000	6,099	1,901
Printing and publishing	3,500	3,500	2,831	669
Utilities and telephone	4,000	4,000	4,785	(785)
Repairs and maintenance	13,000	18,819	18,885	(66)
Capital outlay	57,968	14,367	6,052	8,315
Travel	1,300	1,300	908	392
Education and training	2,500	2,500	2,438	62
Miscellaneous	1,000	1,000	995	5
Total Township Hall	<u>128,211</u>	<u>122,628</u>	<u>106,172</u>	<u>16,456</u>
TOTAL GENERAL GOVERNMENT	<u>257,906</u>	<u>252,910</u>	<u>232,976</u>	<u>19,934</u>

**TOWNSHIP OF PENTWATER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - Continued**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
EXPENDITURES - Continued				
PUBLIC SAFETY				
Police - Liquor Control				
Salaries and wages	\$ 580	\$ 600	\$ 599	\$ 1
Fringe benefits	50	50	46	4
Total Police - Liquor Control	630	650	645	5
Zoning Administrator				
Salaries and wages	7,900	7,900	7,900	
Fringe benefits	604	604	604	
Total Zoning Administrator	8,504	8,504	8,504	
ZBA - Planning Commission				
Salaries and wages	3,000	3,754	3,754	
Fringe benefits	230	230		230
Professional services			468	(468)
Total ZBA - Planning Commission	3,230	3,984	4,222	(238)
TOTAL PUBLIC SAFETY	12,364	13,138	13,371	(233)
PUBLIC WORKS				
Utilities				
Street lighting	500	564	523	41
Capital outlay	5,000	5,000		5,000
Total Utilities	5,500	5,564	523	5,041
Highway, Streets and Bridges				
Repairs and maintenance	2,400	5,096	4,943	153
Metro Act	1,800	1,800		1,800
Capital outlay	5,000	5,000	93,829	(88,829)
Total Highway, Streets and Bridges	9,200	11,896	98,772	(86,876)
Sanitation				
Salaries and wages	5,400	5,554	5,512	42
Fringe benefits	413	425	422	3
Repairs and maintenance	1,000	1,203	1,203	
Landfill rental	10,000	10,993	10,993	
Total Sanitation	16,813	18,175	18,130	45
TOTAL PUBLIC WORKS	31,513	35,635	117,425	(81,790)

**TOWNSHIP OF PENTWATER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - Concluded**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
EXPENDITURES - Concluded				
HEALTH AND WELFARE				
Recreation fund				
Repairs and maintenance	\$ 4,000	\$ 4,100	\$ 4,100	\$
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>          </u>
TOTAL HEALTH AND WELFARE	<u>5,000</u>	<u>5,100</u>	<u>5,100</u>	<u>          </u>
 TOTAL EXPENDITURES	 <u>310,355</u>	 <u>310,355</u>	 <u>371,845</u>	 <u>(61,490)</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			(11,844)	(11,844)
 FUND BALANCE, APRIL 1	 <u>409,963</u>	 <u>409,963</u>	 <u>409,963</u>	 <u>          </u>
FUND BALANCE, MARCH 31	\$ <u><u>409,963</u></u>	\$ <u><u>409,963</u></u>	\$ <u><u>398,119</u></u>	\$ <u><u>(11,844)</u></u>

**TOWNSHIP OF PENTWATER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**CEMETERY FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
<b>REVENUES</b>				
Taxes	\$ 50,437	\$ 53,379	\$ 56,497	\$ 3,118
Charges for services	1,300	1,300	1,915	615
Sales	4,700	6,200	6,938	738
Interest	600	1,200	4,076	2,876
<b>TOTAL REVENUES</b>	<u>57,037</u>	<u>62,079</u>	<u>69,426</u>	<u>7,347</u>
<b>EXPENDITURES</b>				
Committee member	1,250	1,250	950	300
Salaries and wages	12,000	12,000	10,923	1,077
Fringes	1,000	1,000	726	274
Supplies	1,500	2,000	1,267	733
Professional services	500	3,500	530	2,970
Dues and subscriptions	60	60	35	25
Insurance and bonds	1,300	1,500	1,297	203
Printing and publishing		200	188	12
Utilities	1,500	1,600	1,588	12
Repairs and maintenance	15,000	15,000	5,746	9,254
Capital outlay	11,827	12,970	500	12,470
Land acquisition	10,000	10,000		10,000
Transportation and travel	150	150	118	32
Advertising	200			
Education and training	250	349	349	
Miscellaneous	500	500	239	261
<b>TOTAL EXPENDITURES</b>	<u>57,037</u>	<u>62,079</u>	<u>24,456</u>	<u>37,623</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>			44,970	44,970
<b>FUND BALANCE, APRIL 1</b>	<u>110,147</u>	<u>110,147</u>	<u>110,147</u>	
<b>FUND BALANCE, MARCH 31</b>	<u>\$ 110,147</u>	<u>\$ 110,147</u>	<u>\$ 155,117</u>	<u>\$ 44,970</u>



**TOWNSHIP OF PENTWATER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**LIBRARY FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGETED AMOUNTS</u>			VARIANCE FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<b>REVENUES</b>				
Taxes	\$ 140,300	\$ 140,300	\$ 146,904	\$ 6,604
State grants	3,065	3,065	2,245	(820)
Private contributions	2,550	2,550	5,075	2,525
Fees and fines	20,650	20,650	21,018	368
Interest and other	2,300	2,300	3,365	1,065
<b>TOTAL REVENUES</b>	<u>168,865</u>	<u>168,865</u>	<u>178,607</u>	<u>9,742</u>
<b>EXPENDITURES</b>				
Salaries and fringe benefits	83,800	83,800	79,053	4,747
Library materials	18,250	18,750	18,193	557
Office supplies and postage	4,300	4,300	3,734	566
Contract and professional services	4,975	4,975	4,611	364
Computer expense	4,800	4,800	3,100	1,700
Communications	5,950	5,950	3,773	2,177
Utilities and maintenance	10,400	11,000	10,335	665
Insurance	3,175	3,175	3,018	157
Capital outlay	5,000	5,000	1,748	3,252
Miscellaneous	1,650	1,650	887	763
<b>TOTAL EXPENDITURES</b>	<u>142,300</u>	<u>143,400</u>	<u>128,452</u>	<u>14,948</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING USES</b>	26,565	25,465	50,155	24,690
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	6,565	5,465	30,155	24,690
<b>FUND BALANCE, APRIL 1</b>	<u>148,535</u>	<u>148,535</u>	<u>148,535</u>	
<b>FUND BALANCE, MARCH 31</b>	<u>\$ 155,100</u>	<u>\$ 154,000</u>	<u>\$ 178,690</u>	<u>\$ 24,690</u>



# Layton & Richardson, P.C.

*Certified Public Accountants*

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Pentwater Township Board  
Township of Pentwater  
Pentwater, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pentwater, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township of Pentwater, Michigan's basic financial statements and have issued our report thereon dated July 3, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Pentwater, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Pentwater, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Pentwater, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Pentwater, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Pentwater, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Township of Pentwater, Michigan's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. See finding number 08-A.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Pentwater, Michigan's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Pentwater, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Pentwater Township, in a separate letter dated July 3, 2008.

The Township of Pentwater, Michigan's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Township of Pentwater, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Layton + Richardson PC*  
*Certified Public Accountants*

July 3, 2008  
East Lansing, Michigan

**TOWNSHIP OF PENTWATER**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED MARCH 31, 2008**

**FINDINGS**

- 08-A The Township of Pentwater, Michigan, does not have an individual with sufficient knowledge and understanding of generally accepted accounting principles to properly apply them in preparing its financial statements.

**RESPONSES**

- 08-A The Township of Pentwater, Michigan, has individuals who are knowledgeable and competent in performing their daily accounting functions. The Township Board reviews and approves all expenditures and monthly financial information. It would not be cost effective for the Township to hire an individual with sufficient current knowledge of generally accepted accounting principles.



# Layton & Richardson, P.C.

*Certified Public Accountants*

## LETTER OF COMMENTS AND RECOMMENDATIONS

Pentwater Township Board  
Township of Pentwater  
Pentwater, Michigan

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We have audited the financial statements of the TOWNSHIP OF PENTWATER, MICHIGAN, for the year ended March 31, 2008, and have issued our report thereon dated July 3, 2008. As part of the audit process, we tested and evaluated the system of internal accounting controls and the procedures used to record the financial transactions of the Township of Pentwater, Michigan. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements. We have issued our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Governmental Auditing Standards dated July 3, 2008.

Although not considered to be significant deficiencies or material weaknesses, the following recommendations are provided for your consideration to improve the efficiency and effectiveness of control procedures:

### PRIOR YEAR RECOMMENDATIONS

#### 05-1 Segregation of Duties

The Treasurer and Clerk are authorized signers on bank accounts. Additionally, the Deputy Treasurer and Deputy Clerk are authorized signers in the absence of the Treasurer and Clerk, respectively. The Treasurer, Clerk and their Deputies all process cash receipts. The Treasurer and Deputy Clerk reconcile the monthly bank statements with their accounting records.

Strong internal controls call for segregation of duties, with the intent of limiting the responsibilities any one individual may have over the entire recording process of transactions. Segregation of duties is difficult to accomplish when the number of staff members is small. In light of this, we recommend that the Township Supervisor receive the bank statements directly from the bank, and review them four times per year. The Supervisor should request the bank statements for review at random. The Supervisor should examine the bank statements and all documents returned with the statements for any unusual items, and ask to see supporting documentation for anything questionable. The Supervisor should initial and date the bank statements upon being satisfied that all items are appropriate. This periodic review will provide improved internal controls over the cash disbursements and receipts of the Township. **Current year status: This has been implemented but is done less frequently. We continue to recommend this be done at least quarterly.**

## **PRIOR YEAR RECOMMENDATIONS - Continued**

### **05-2    Cash Disbursements – General Fund**

#### **Supporting Documentation**

We noted instances of payment for routine maintenance services with no supporting documentation in the form of a written service agreement or invoice. We recommend that verbal agreements be put into writing and be signed by the Township and the vendor. Further, we recommend that supporting documentation be required for all vendor disbursements. This documentation can be in the form of a vendor invoice, memo or check request indicating purpose of disbursement, payee and date(s) of services. **Current year status: This has been implemented.**

### **06-1    Cash Disbursements**

We noted instances during our testing of cash disbursements where the supporting documentation was not retained. Strong internal controls require that appropriate, approved supporting documentation be required for all cash disbursements, and that this documentation be retained to allow subsequent verification as to the accuracy of the expenditure. **Current year status: It is our understanding that this has been implemented.**

### **07-1    Documentation of Delinquent Personal Property Tax and Payment in Lieu Remittances to other Governments**

We noted instances of tax remittances received by the Township and portions of which are paid to other units of government where the supporting documentation detailing the payments was not retained with the check stub or in the cash disbursements file. To strengthen controls over such payments, it is important to retain the supporting documentation to allow verification of the calculations if questions should arise, and to help prevent accidental duplicate payment. **Current year status: This has been implemented.**

### **07-2    Voided Checks**

We noted the current practice is to destroy voided checks. To improve controls over voided checks, we recommend that all voided checks be retained with the signature corner of the check removed and “VOID” written on the front of the check. Voided checks should be entered into the QuickBooks files as voided checks, and should be attached to and filed with the check stub which is filed in numeric order. **Current year status: This has been implemented.**

### **07-3    Documentation of Cleaning Service Payments**

We noted payments for office cleaning do not have supporting documentation. We recommend the use of a standard check request form to document such disbursements. A standardized form, such as the sample attached to this letter, will strengthen controls over such payments and provide documentation of proper approvals. **Current year status: This has been implemented.**

## **PRIOR YEAR RECOMMENDATIONS – Concluded**

### **07-4    Cash Receipts - Payer**

We noted instances where cash receipts listed the payer as the staff member who received the payment, not the individual who actually made the payment. We also noted instances of the QuickBooks cash receipt detail records showing the name of the staff member rather than the name of the actual payer. To improve controls over cash receipts, we recommend that both the manual cash receipt and the QuickBooks entry use the name of the payer rather than the name of the staff member receiving the payment. **Current year status: This has been implemented.**

### **07-5    Cash Receipts – Purpose**

We noted instances where the manual cash receipt issued included a note as to the purpose of the cash receipt, however, such memo information was not included in the QuickBooks cash receipt record. To improve and strengthen controls over cash receipts, we recommend the QuickBooks record of cash receipts include memo entries as to the purpose of the cash receipt. **Current year status: This has been implemented.**

### **07-6    Cash Receipts – Library**

We noted instances where cash receipts were filled out with the “Received of” line indicating the purpose of the cash receipt and the name of the payer not being listed. We recommend the “Received of” line of cash receipts be used to list the name of the payer, and the purpose of the cash receipt be listed on the memo lines below the name on the cash receipt. This will strengthen internal controls over cash receipts and help assure any donations received with temporary restrictions will be properly recorded. **Current year status: Detail spreadsheets are maintained to support each deposit. Copies of checks received are kept with the corresponding spreadsheet. This adequately addresses the concern of this recommendation.**

### **07-7    Sale of Used Equipment – Cemetery**

We became aware that old cemetery maintenance equipment that has been retired or replaced may be sold, but the sale of such items is not adequately documented. When sales of equipment occur, it is important that the equipment sold (or otherwise disposed of) is properly documented so that it may be removed from the detail depreciation records. We recommend that all equipment sales be documented with the name of the purchaser, amount and date of sale, and a detailed description of the equipment sold. This will provide improved accountability over capital assets. **Current year status: This has not been implemented.**

## **CURRENT YEAR RECOMMENDATIONS**

### **08-01    Bank Reconciliations**

Both the Treasurer and the Deputy Clerk reconcile the monthly bank statements to the accounting records maintained by each individual however, the reconciliation prepared by the Deputy Clerk has not been printed and retained with the bank statements. As the accounting records of the Deputy Clerk are the official books of account, we recommend the bank reconciliations prepared by the Deputy Clerk be printed out each month and filed with the respective bank statements.

## CURRENT YEAR RECOMMENDATIONS – Concluded

### 08-02 Internet and Telephone Transfers

On occasion, the Treasurer initiates transfers of funds among Township accounts via telephone call or internet transaction. It is important to properly document such transactions. We recommend that the confirmation screen for internet transfers be printed and retained. For telephone transfers, we recommend the bank be requested to send a confirmation by email which should be printed and retained. This will provide improved documentation and thereby strengthen controls over bank transfers.

### 08-03 Certificates of Deposit

We noted that documentation of certificates of deposits should be strengthened. The area of concern is primarily when a CD matures and is rolled over into a new CD and there is no documentation of the new CD. The Township Treasurer should obtain copies of all certificates of deposits as they are purchased, whether by roll over or new investment for all funds of the Township. We recommend that the Treasurer maintain a file copy of all certificates of deposits and that the bank be requested to provide documentation of certificates of deposits purchased with funds rolled over from matured certificates of deposit.

We are grateful to the officials and employees of Pentwater Township for the assistance and cooperation which we received during the audit, and we thank them.



*Certified Public Accountants*

East Lansing, Michigan  
July 3, 2008